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June 2, 2003

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, DC 20554

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JUN - 2 2003

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: Wireless Local Number Portability
CC Docket No. 95-116, **EX PARTE**

Dear Ms. Dortch:

On Friday, May 30, 2003, representatives of Cingular Wireless (Cingular) participated in two separate meetings to discuss issues related to the referenced subject. In the first meeting, Brian Fontes, Vice President of Federal Relations for Cingular met with Bryan Tramont, Senior Legal Advisor, Office of Chairman Michael K. Powell. In the second meeting, Brian Fontes and Jim Bugel, Executive Director-Federal Regulatory Affairs of Cingular met with Barry Ohlson, Legal Advisor for Spectrum and International Issues, Office of Commissioner Jonathan S. Adelstein. In both meetings the parties discussed FCC mandates imposed on the wireless industry and the classification of these mandates into two broad categories: 1) those rules addressing the safety of life and property, *e.g.*, E-911, CALEA and multiple homeland security directives; and 2) those rules adopted for customer convenience, *e.g.*, Local Number Portability. In addition, Cingular noted that due to limited capital resources of the wireless telecommunications sector, the priority should be given to those rules addressing the safety of life and property, such as E-911, CALEA and homeland security, especially as we better prepare our nation for the war on terrorism. The government should defer mandates providing "customer convenience", such as wireless Local Number Portability, to a later time, perhaps tied to the complete deployment of E-911.

The attached document was used for discussion purposes. Please associate this notification and the accompanying document with the referenced docket proceeding.

Pursuant to Section 1.1206 of the Commission's Rules, this notification is being submitted to your office. If you have any questions concerning this submission, please contact the undersigned.

Sincerely,

Ben G. Almond

Ben G. Almond
Vice President-Federal Regulatory Affairs

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Attachment

Cc: Bryan Tramont
Barry Ohlson

The Wireless Revolution:
Without Regulatory Prioritization, Are Consumer Benefits Sustainable?

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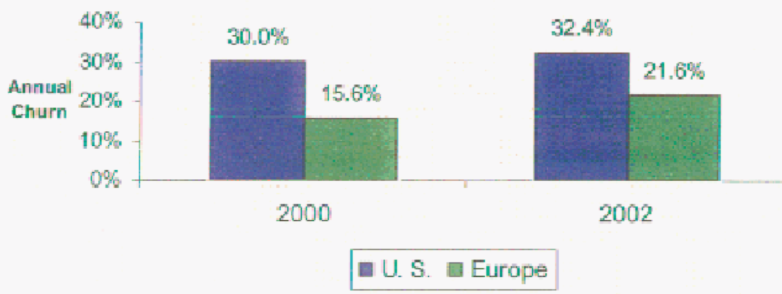
Domestic Consumers Currently Enjoy Freedom of Choice

Intense price competition encourages consumers to "carrier hop" for the best deal, and results in high acquisition costs as carriers battle for market share.

Annual Customer Churn:
U. S. National Carriers vs. Europe



Customer Acquisition Costs: U. S. versus Europe

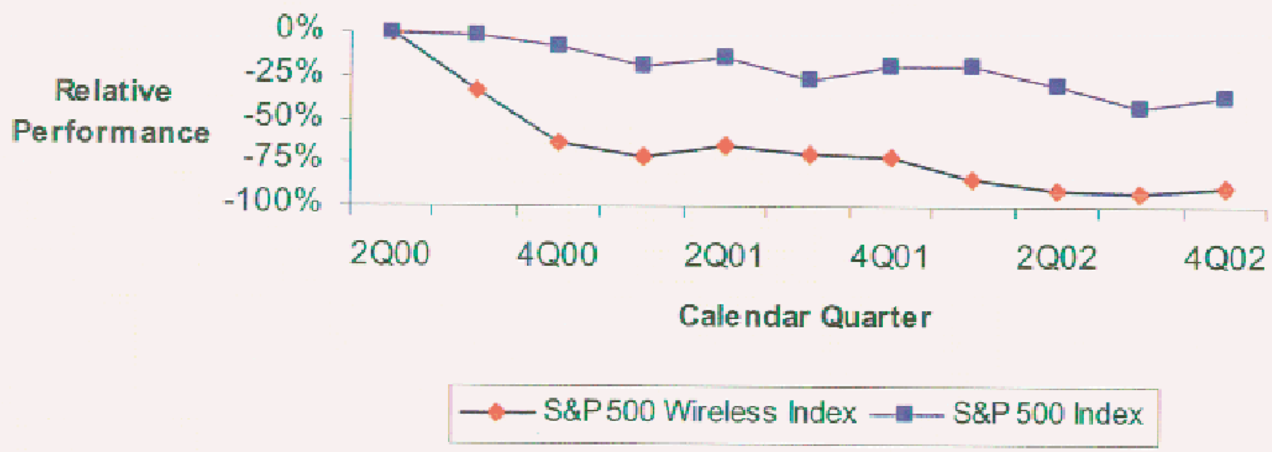
- About one third of U. S. customers change carriers each year
- Only about 22% of European customers switch carriers each year
- High domestic customer churn leads to higher acquisition costs
  - Higher handset discounts
  - Increased marketing, advertising and commissions

Source: Endicott, Dominic. "Is Low Telecom ROIC Here to Stay, and How Long Will Investors Bear This? Booz Allen Hamilton, March 14, 2003

Great Deal for Consumers- How About Investors?

Equity values have plummeted relative to the S&P 500 as investors express concerns about the industry's health.

Relative Equity Returns - Wireless Compared to the S&P 500



- **High capital investment requirements**
- **Negative cash flow**
- **Strained balance sheets**

Source: Bloomberg Data Base

Negative Returns Threaten Future Investment

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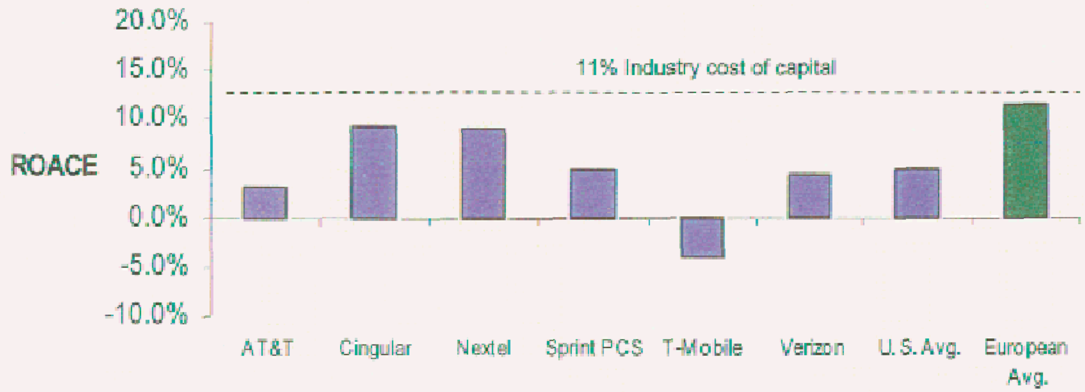
Wireless requires willing investors in order to attract needed capital to upgrade networks and develop advanced voice and date products.

2002 Return on Average Capital Employed (ROACE)



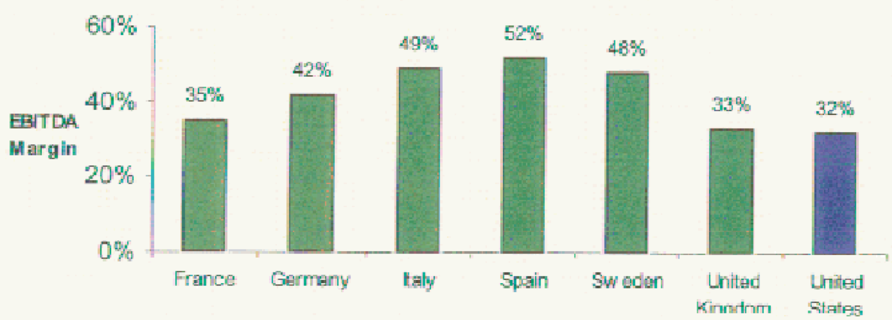
- Wireless is not earning its cost of capital
  - Industry return on capital just 4.8%
  - Cost of capital is about 11%
- Future investment requirements at risk
  - Additional network capacity
  - Upgrade to 3G
  - Data products and services

Source: Company, U. S. and European average ROACE provided by: Mutschler, Linda. "The Next Generation VII." Merrill Lynch, February 21, 2003

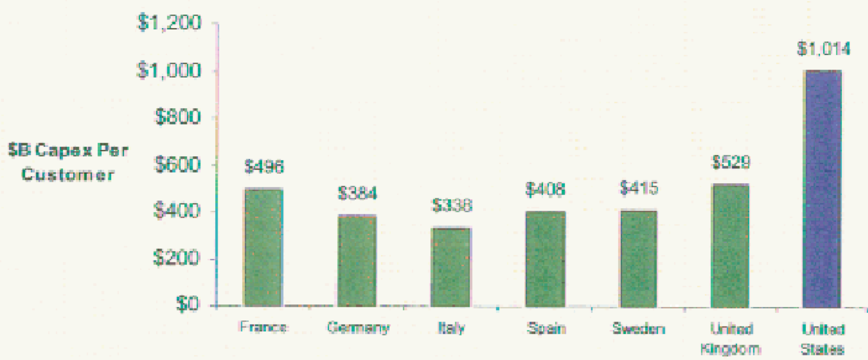
Domestic Wireless = Poor Margins + High Capital Needs

Wireless requires willing investors in order to attract needed capital to upgrade networks and develop advanced voice and date products.

U.S. and European
EBITDA Margins (2002)



Cumulative Capex Per Sub -
U. S. Versus Europe



Lower Revenue per Minute

\+ Higher Minutes of Use

\+ Higher Churn

\+ Higher Acquisition Costs

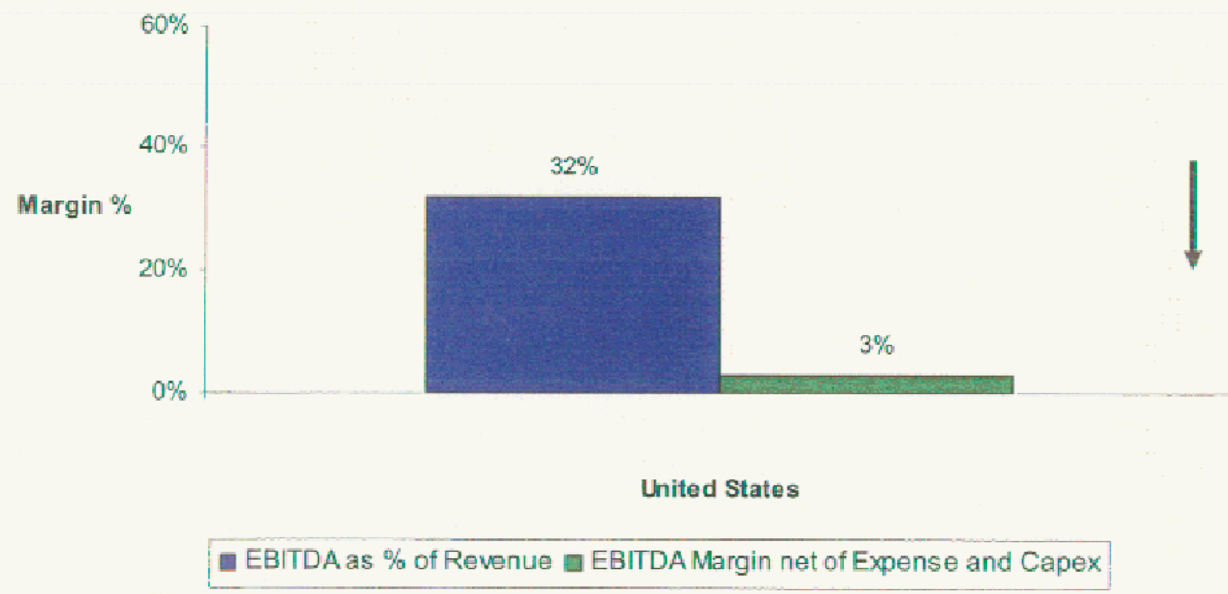
= Lower Profit Margins
Higher Capital Requirements

: Bath, Blake. "Gaining Maturity...Often Isn't Pretty." Lehman Brothers, March 27, 2003

Low Margins and High Capital Needs Discourage Investors

Domestic wireless carriers are not earning their cost of capital and are significantly underperforming their international counterparts.

EBITDA Margin Net of
Expense and Capital Investment



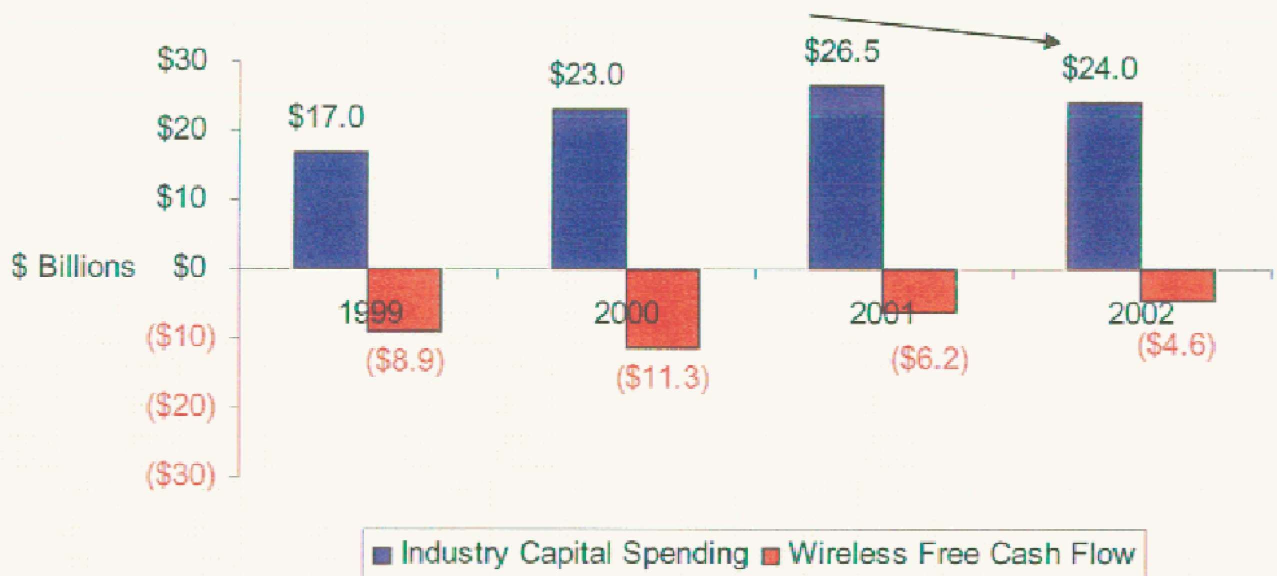
Negative economic returns cannot continue indefinitely, and investors will continue to avoid the wireless industry until returns improve.

Source: Bath, Blake. "Gaining Maturity...Often Isn't Pretty." Lehman Brothers, March 27, 2003

Investors Needed!

Domestic wireless carriers produce negative cash flow and will require additional investment to fund continued infrastructure expansion and development.

U. S. Wireless Industry
Capex and Free Cash Flow

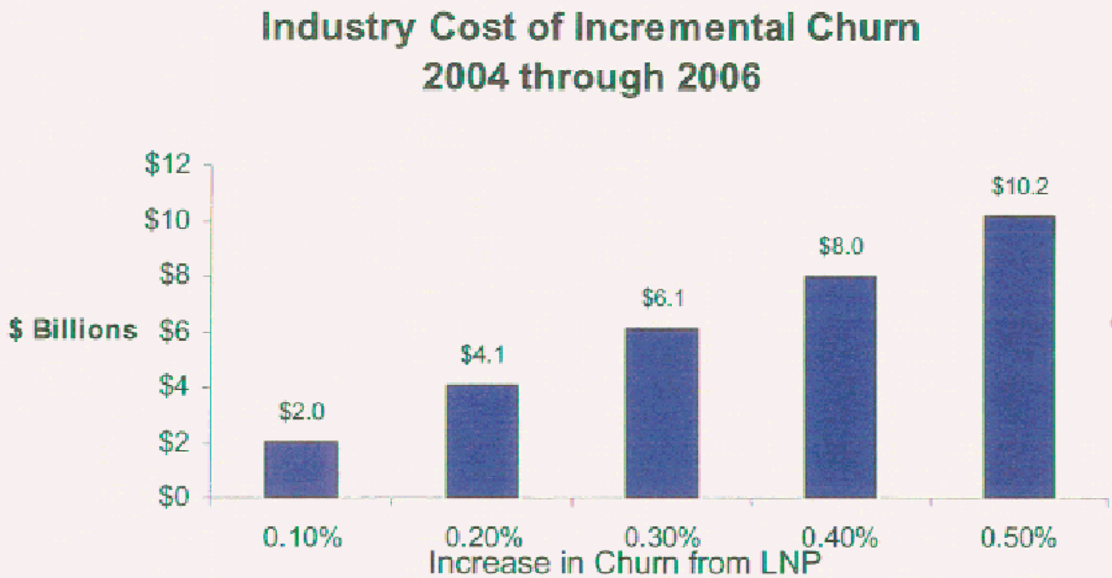


Continued decreases in capital investment will be required unless profitability improves.

Source: Bath, Blake. "Gaining Maturity...Often Isn't Pretty." Lehman Brothers, March 27, 2003

Unnecessary Mandates Cost Consumers & Weaken the Industry

Eliminate mandates, such as local number portability (LNP), that impose an unnecessary cost on consumers and carriers.



- Consumers already enjoy, and exercise, freedom to switch carriers
  - Churn rate much higher than Europe
  - Customer acquisition costs high, approximately $345
- WNP could increase increase churn
- Cost could reach $10B over 3 years based on incremental churn/month of 0.5%
  - Less investment available to build and expand infrastructure
  - Weakened technology position relative to international markets
  - Fewer advanced products and services
  - Increased costs to consumers

Source: Mutschler, Linda. "The Next Generation VII." Merrill Lynch, February 21, 2003

Public Policies Should Promote Fair Competition

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Public policies should promote a fair playing field for all competitors, and the marketplace should determine the winners.

- The federal government regulations imposed on the wireless industry can be classified in two broad categories; 1) those rules addressing the safety of life and property, *e.g.*, E9-1-1, CALEA and multiple homeland security directives; and 2) those rules adopted for customer convenience, *e.g.*, Local Number Portability.
- Today, due to limited resources of the telecommunications sector, the priority should be given to those rules addressing the safety of life and property, such as E911, CALEA and homeland security, especially as we better prepare our nation for the war on terrorism. The government should defer "convenience" mandates, such as Wireless Local Number Portability, to a later time, perhaps tied to the deployment of E-911.

Appendix

Table 44: Wireless Number Portability Impact Assessment

(Millions)	2004E	2005E	2006E	Total 2004E Thru 2006E
Beginning Industry Subscribers	152.2	161.2	168.7	
Ending Industry Subscribers	161.2	168.7	174.9	
Industry Net Additions	9.0	7.5	6.2	
Average Industry Subscribers	156.7	164.9	171.8	
Penetration	54.7%	56.7%	58.2%	
CPGA	$354	$344	$334	
Incremental Churn/Month				
0.1%	$666	$680	$687	$2,033
0.2%	1,331	1,360	1,375	4,066
0.3%	1,997	2,039	2,062	6,099
0.5%	3,329	3,399	3,437	10.165

Source: Merrill Lynch Research Estimates